

US PIRG report reveals that banks are increasingly charging students for access to their federal financial aid

Rep. Peter Welch is calling for an end to rip-off debit and prepaid card fees being charged by big banks to some college students in order to access their federal student loans.

According to a [report released last week](#) by the U.S. Public Interest Research Group (U.S. PIRG) Education Fund, banks and financial firms have struck deals with colleges and universities throughout the country, allowing them to link checking accounts to student IDs. This gives the banks control or influence over federal financial aid disbursements to over nine million students. Traditionally, students would receive their aid by check, without being charged any fees to access their student aid. Now, student aid is increasingly being dispersed via these campus card programs, which many students are enrolled in by default. These programs end up charging students fees on their student aid, including per-swipe fees of \$0.50, inactivity fees of \$10 or more after 6 months and overdraft fees of up to \$38.

In a letter to 15 major financial institutions, Welch – along with Assistant Senate Majority Leader Dick Durbin (D-Ill.) and Sen. Jack Reed (D-R.I.) – pointed out that the campus card fees often cut into students' taxpayer-subsidized federal student financial aid. Welch, Durbin and Reed are demanding an end to the fees and are calling for the public release of secret debit or prepaid card contracts between banks and institutions of higher education.

"For big banks to use struggling students - many of whom are already saddled with high student loan debt - as profit centers to pad their bottom lines is way out of line," Welch said. "They are effectively skimming profits from the same taxpayers who bailed them out in 2008. It's wrong and it has to stop."

According to U.S. PIRG, nearly 900 colleges participating in the federal financial aid program now have such campus card partnerships with banks, including 32 of the 50 largest public four-year universities and 26 of the 50 largest community colleges. Higher One, the biggest firm in the business, collects nearly \$143 million by siphoning student aid, accounting for 80 percent of its revenue.

Welch, Durbin and Reed sent letters to the following fifteen financial institutions which were named in U.S. PIRG's report as leading providers of campus debit and prepaid cards, asking each institution to provide information about their campus card fees and contracts within two weeks: American Express, Blackboard, Commerce Bank, ECSI, Higher One, Heartland Payment Systems, Huntington, Nelnet, PNC Bank, Sallie Mae, SunTrust, TCF Bank, TouchNet, US Bank and Wells Fargo.

[Click here](#) to read the Welch/Durbin/Reed letter.